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**GOVERNMENT OF SIKKIM  
POWER DEPARTMENT**

No. 20/Power/2022

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**NOTIFICATION**

Whereas, Sikkim, a state richly endowed with perennial rivers and water streams has large potential of generating electricity through Hydro Power Projects. The State has an estimated potential of about 280 MW, in the small, mini and micro hydro segment. The present installed capacity of the State is only 41.07 MW in this segment. There is untapped potential for generating power from hydro projects of capacities up to 5 MW. This potential, if harnessed efficiently, can make possible the Government of Sikkim's goals for localized rural power generation/electrification, facilitating the growth in rural area livelihood;

And whereas, Community managed small hydro power projects with effective support and partnership with public and private sector has the potential to address the unmet demand of energy in rural areas. Small hydro power projects are clean and renewable sources of energy, having a minimal impact on natural biodiversity and human settlements. In addition, Government of Sikkim recognizes the threat of climate change and envisages hydro power as one of the key mitigation initiatives of the state in line with the national policy;

Now therefore, with a view to promote small Hydro Power Projects in the state, it is essential to formulate a comprehensive policy which aims to accelerate growth of micro/minи hydro power projects in Sikkim by providing a favourable environment for all the stakeholders.

**1. Title and commencement**

- (1) The policy shall be called the "**Hydro Power Policy up to 5 MW for Sikkim - 2021**".
- (2) They shall come into force on the date of its publication on the Official Gazette.

**2. Definitions and Interpretations**

- (1) Following expressions used in the Policy shall have meanings assigned to them as defined hereunder:
  - (a) 'CERC' means the Central Electricity Regulatory Commission of India, constituted under sub-section (1) of section 76 of the Electricity Act, 2003.

- (b) 'Developer' means Panchayati Raj Institution (PRI) or JV Partner or any individual who has been allotted the hydro power project with capacity up to 05 MW, in the state of Sikkim under this policy.
- (c) ... 'DISCOM' means the Distribution Company, which includes Power Department, Government of Sikkim, licensee authorized to operate and maintain a distribution system for supplying electricity to the consumers of Sikkim.
- (d) 'DPR' means Detailed Project Report.
- (e) 'GoS' means Government of Sikkim.
- (f) 'Interconnection point' means interface point of micro/minismall hydro power project with the transmission system or distribution system, which shall be line isolator on outgoing feeder on HV side of generator transformer or as amended from time to time.
- (g) 'IA' means Implementation Agreement.
- (h) 'LOA' means Letter of Allotment issued to the successful bidder of the project.
- (i) 'PAC' means Project Approval Committee constituted by the Government of Sikkim.
- (j) 'Panchayati Raj Institutions (PRIS)' means Gram Panchayat (GP) or Block Panchayat (BP) or Zilla Panchayat (ZP), elected under Panchayat Raj Act as amended from time to time in the State of Sikkim.
- (k) 'Policy' means the state policy for development of mini/micro/small hydro power projects upto 5 MW, unless stated otherwise.
- (l) 'PPA' means Power Purchase Agreement signed between Distribution Company and the project developer.
- (m) 'Project site' means the area from intake/diversion of water source to tailrace of the proposed project.
- (n) 'Small hydro power project' means hydro power projects with capacities up to 5 MW in the state of Sikkim.
- (o) 'SPDCL' means Sikkim Power Development Corporation Limited.
- (p) 'SREDA' means Sikkim Renewable Energy Development Agency, (the designated Nodal Agency in the State for promoting Renewable energy under the Ministry of New & Renewable Energy, Government of India).
- (q) 'SSERC' means Sikkim State Electricity Regulatory Commission, constituted under sub-section 1 of section 82 of the Electricity Act, 2003.
- (r) 'State' means the State of Sikkim.
- (s) 'TAC' means Technical Appraisal Committee constituted by the Government of Sikkim and consisting of technical, financial and social experts.

(2) All other words and expressions used in this Policy although not specifically defined herein above, but defined in the Electricity Act, 2003 shall have the meaning assigned to them in the Electricity Act, 2003. The other words and expressions used herein but not specifically defined in this Policy or in the Electricity Act, 2003 but defined under any law

passed by the Parliament/State Legislation applicable to the electricity industry in the State shall have the meaning assigned to them in such law.

### **3. Objectives**

The objectives of the Hydro Power Policy upto 5 MW for Sikkim, 2021 is to -

- (1) Create conditions conducive to private sector/community participation in micro, mini & small Hydro Power Projects in the state of Sikkim;
- (2) harness the environment friendly micro/minи/small Hydro Power resources and enhance their contribution for the socio-economic development of the state;
- (3) improve quality of life in rural Sikkim by addressing access to energy issues through electricity generated from small Hydro Power Projects;
- (4) provide localized energy supply to agriculture, small scale rural industries, commercial enterprises & households in rural areas of Sikkim;
- (5) create a favourable environment for community ownership and private sector participation in micro/minи/small Hydro Power sector in Sikkim;
- (6) promote the development of micro/minи/small Hydro Power projects as a clean source of energy in the State;
- (7) promote grid-compatible rural power generation and strengthen the quality of rural grids.

### **4. Nodal Agency**

The Power Department, Government of Sikkim shall be the Nodal Agency /or Implementing Agency of this policy.

### **5. Procedure For Development of Micro, Mini & Small Hydroelectric Projects in Sikkim.**

- (1) All small hydro projects of installed capacity up to 5 (five) MW shall be allowed to be developed in the Memorandum of Understanding route.

### **6. Classification of the Projects**

- (1) Based on the generating capacity, Hydro Projects would be classified as:
  - (a) Micro hydro projects having capacity up to 100 KW.
  - (b) Mini hydro projects having capacity above 100 KW up to 2 MW.
  - (c) Small Hydro Electric Projects having capacity above 2 MW - 05 MW.

### **7. Eligibility**

- (1) The project would be executed by Non-Government Organizations or Panchayati Raj Institutions, Cooperative Society or any individual who is a domicile of Sikkim either,
  - (i) on their own or, in joint venture.
- (2) The eligible PRI's or any individual in terms of item (i) of sub-clause (1) of clause 7 who is a domicile of Sikkim can form Joint Venture with any of the following, namely:-
  - (i) Any societies of Sikkim registered under Notification No. 2602A/H dated 25<sup>th</sup> March 1960 and Sikkim Regulation of Societies and other Voluntary Organizations Act 2008 amended from time to time, subjected to the condition that all the members of the society are domicile of Sikkim.

- (ii) Any Co-operative societies registered in Sikkim under the Co-operative Societies Act, subjected to the condition that all the members of the society are domicile of Sikkim.
- (iii) Any registered firms/companies registered under the Registration of Companies (Sikkim) Act, 1961 having its registered office in Sikkim.
- (iv) Any industry registered in District Industries Offices of Sikkim.
- (v) Any central/state power utilities, state governments/organizations or any other government owned entities.
- (vi) The financial capability of the Developer should not be less than Rs 10,000.00 per KW.

#### **8. Procedure for allotment of sites for development of hydro power projects:**

- (1) Panchayati Raj Institutions or any individual who is a domicile of Sikkim interested in setting up micro, mini & small hydroelectric projects for generation of electricity may apply to the Nodal office, Power Department, Government of Sikkim, which would then be processed through competent authorities, for consideration and approval of the Government. The Developer should visit the potential site for verifying various project related parameters viz. discharge cum-head-cum-water availability, habitation etc. They should also ensure that the project components does not fall in the wildlife sanctuaries, national parks, reserve/ protected Forest, eco-protection zone etc., and also do not interfere/overlap with existing/ on-going/ proposed Hydroelectric Projects of the State/ Public Sector Undertakings/ Government of India Undertaking or private investors before submitting their offers in the prescribed application.
  - (i) If the eligible PRI's or any individual who is a domicile of Sikkim wishes to develop the project on their own they will have to apply in the prescribed application form which can be availed from the Nodal office designated by the Government of Sikkim.
  - (ii) If the eligible PRI's or any individual who is a domicile of Sikkim wishes to develop the project in partnership, then the JV partners shall submit their proposals according to the prescribed formats through the Nodal office designated by the Government of Sikkim.
- (2) The applications shall be accompanied with a Demand Draft of Rs. 10,000/- of any Nationalised Bank, as non-refundable processing fees.
- (3) The proposal(s) received shall be scrutinized by the Technical Appraisal Committee (TAC), as defined in clause 14 of this Policy.
- (4) The allotment of the project shall be done by the Project Approval Committee (PAC), as defined in clause 15 of this Policy, on obtaining Government of Sikkim approval.
- (5) The selected PRI's/ JV partners or any individual, shall pay the non- refundable processing fee @ Rs. 20,000.00 per MW in the form of Demand Draft of any Nationalized Bank in the favour of the Secretary, Power Department, Government of Sikkim.
- (6) The selected PRI's/JV Partners or any individual, shall deposit, the security amount @ of Rs. 1,00,000.00 (one lakh only) per MW. The security amount will be in the form of Demand Draft of any Nationalized Bank in favour of the Secretary, Power Department, Government of Sikkim.

- (7) The Security Deposit (made in the form of Demand Draft) shall be returned without interest to the developer on successful commercial operation of the project.
- (8) Government of Sikkim reserves the right to allot any micro/minи & small Hydro Power Project (up to 5 MW) directly to any State Government entities.

#### **9. Technical Support to Developer:**

- (1) Any interested/ experienced Consultancy Firms having sufficient knowledge in Hydro Projects are required to be empanelled with the Nodal Agency for Design and Supervision Consultancy to the Developer.
- (2) The Nodal agency shall suggest empanelled/registered Consultancy Firm for providing Technical support to the Developer.
- (3) The Detail Project Reports prepared by the empanelled/registered Consultancy Firm are eligible for Technical Appraisal.

#### **10. Preparation of Project Report**

- (1) Clearance from other State Government agencies like State Pollution Control Board, State Forest and Environment Department etc. shall be obtained by the Developer. The Developer shall also get in principle clearance of the Irrigation Department, Government of Sikkim, if the project is to use any existing canal or infrastructure of the Department. In other cases clearance will be given by the Technical Appraisal Committee (TAC) where the Principle Chief Engineer cum Secretary, Irrigation & Water Resources is a member. TAC will extend all possible cooperation for obtaining clearances/approval from other organisations, agencies and sort out interdepartmental issues.
- (2) In case the developer intends to use the transmission and sub-transmission system, it should obtain in principle clearance from the Power Department, Government of Sikkim.

#### **11. Schedule of Implementation:**

- (1) The developer will prepare the DPR and submit to the TAC for examination and award of Techno Economic Clearance within 6 months of signing of Implementation Agreement (IA).
- (2) Developer shall obtain required statutory clearances and approvals (if any) and complete the acquisition process of lands required for construction of the project within 6 months from the date of award of Techno Economic Clearance of the DPR.
- (3) The Developer shall achieve the financial closure within 9 months from the date of award of Techno Economic Clearance of the DPR. Financial closure would imply firm commitments for financing the entire Project with all pre-disbursement conditions having been fulfilled.
- (4) The Project shall be completed and made operational within a period of 36 months after financial closure of the project.
- (5) In the event the DPR is not submitted within 6 months from signing of the IA, the developer can ask for extension of further six months with valid reasons after paying extension charge of Rs. 10,000/- per MW per Month. Non submission of the DPR within the extended period will result in cancellation of the project.
- (6) In the event the project works are not started within a year (365 days) from financial closure of the project, the Implementation Agreement and any Power Purchase Agreement will stand cancelled automatically.

(7) In case of force majeure circumstances that may include but are not restricted to Acts of God, wars or revolutions, fires, floods, epidemics, quarantine restrictions and freight embargoes etc, the developer may surrender the allotment to the Government, providing sufficient and adequate circumstances for doing so, subject to the acceptance by the Nodal Agency and approval of the Government of Sikkim.

**12. Incentives/benefits available under this policy:**

- (1) A Developer will be eligible for central financial assistance as per the standing guidelines of Ministry of New and Renewable Energy (MNRE), Government of India.
- (2) No royalty shall be charged on the projects up to 2 MW. Projects of capacity above 2 MW up to 5 MW, no royalty shall be charged for the first 5 years, from the 6<sup>th</sup> year onwards 12% of generation as free power to the state shall be charged as royalty.

**13. Tariff :**

- (1) A Developer may utilise the power generated through the power plant for captive use at the place of generation or at any other place in the State with permission of SSERC subject to technical feasibility of the system on payment of access charge and wheeling charges determined by SSERC from time to time.
- (2) While the Developer does not acquire a right to sale of Energy to the Bulk Supply/Distribution Licensee/DISCOM, he may be allowed to do so on the basis of a PPA with the Licensees as per the tariff specified by the SSERC.
- (3) A Developer may be allowed to transmit energy outside the State on payment of transmission/wheeling charges and other applicable charges as determined by SSERC from time to time.

**14. Technical Appraisal Committee :**

The Technical Appraisal Committee (TAC) shall consist of following officials of the Government, namely:-

- (1) PCE cum Secretary, Power Department, Chairman.
- (2) Chief Engineer, Irrigation Department, Member
- (3) Chief Engineer (Civil), Power Department, Member.
- (4) Chief Engineer (Mechanical), Power Department, Member.
- (5) Conservator of Forest (T), Forest Department, Member.
- (6) One Civil Engineer working in the State Government having knowledge in hydropower - to be nominated by the Chairman, Member and
- (7) One representative of Central Water Commission stationed at Gangtok, Member.
- (8) Nodal officer (Hydro), Power Department, Member Secretary.

**15. Project Approval Committee :**

The Project Approval Committee (PAC) shall consist of following members, namely:-

1. Chief Secretary, Government of Sikkim, Chairman.
2. Secretary, Chief Ministers Office, Member.
3. PCCF cum Secretary, Forest Department, Member.

4. Secretary, Rural Management & Development Department, Member
5. Secretary, Law Department, Member.
6. PCE cum Secretary, Irrigation Department, Member.
7. PCE cum Secretary, Power Department, Member Secretary.

**16. Open Access:**

If Open Access is granted to any Developer, they shall have to pay the applicable Open Access charges and losses as approved by SSERC from time to time. The Cross Subsidy Surcharge shall be payable by the buyer, if he is a consumer of State distribution licensee, as approved by the SSERC from time to time.

**17. Interfacing and Metering:**

- (1) Metering arrangement shall be made as per Central Electricity Authority (Installation & Operation of Meters) Regulations, 2006, the Grid Code, the Metering Code and other relevant regulations issued by SSERC/CERC in this regard.
- (2) Grid interfacing equipment and accessories required to connect the generating units, shall be procured and constructed by the developer at their own cost. Scheme for the proposed interconnecting lines to the nearest substation will require the approval of the Power Department and the cost shall be included in the DPR.
- (3) Interconnection lines are to be constructed and maintained by the developer.
- (4) The main and the check metres should be installed by the developer at the proposed interconnection point/grid interfacing arrangement of the substations.

**18. Power Evacuation and Grid Interfacing Facility :**

Power evacuation and grid interfacing arrangement shall be as per the regulation/procedures defined by SSERC and as amended from time to time.

**19. Reactive Power Charges :**

The drawl of reactive power shall be charged as per the SSERC order, as amended from time to time.

**20. Insurance :**

The concerned Developer shall provide full insurance cover of the project during the execution and operation period of the project allotted under this policy.

**21. Amendments/Relaxation/Interpretation/Disambiguation of Provisions of the Policies:**

- (1) The State Government shall have powers to amend/relax/interpret/disambiguate the provisions of this policy. The above policy shall apply only to Hydro Electric Projects up to 5 MW and are subject to change pursuant to any change in the regulatory framework.  
In case of any conflict between the policy and other statutory provisions, the latter shall prevail.

**Ganesh Chettri  
PCE cum Secretary.**

